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The following estimates, forecasts, and projections are mainly taken from recent publications of the National Agricultural Statistics Service, Economic Research Service, and the World Agricultural Outlook Board of the USDA.

♦**Wheat.** The August forecast for 1998 all wheat production is 2.55 billion bushels, up 1% from the 1997 crop. Market year prices are expected to average between \$2.55 and \$2.95 compared with \$3.38 for the 1997 crop. The global forecast is down 2% from last year and projected ending stocks are down 6%. The winter wheat crop was 96% harvested as of August 16th.

♦**Corn.** The August forecast for 1998 corn production is 9.59 billion bushels, up 2% from the 1997 crop. A market year average price between \$1.95 and \$2.35 a bushel is expected compared with \$2.45 for the 1997 crop. Global production is expected to be 3% above last year. Global 1998/99 ending stocks are expected to be 3% above the previous year. The U.S. corn crop was rated 68% good to excellent as of August 16th compared with 60% a year earlier.

♦**Soybeans.** The 1998 soybean crop is forecasted at a record 2.82 billion bushels, up 4% from 1997. The market year average price is projected between \$4.85 and \$5.85 per bushel compared with \$6.45 for the 1997 crop. Global 1998/99 oilseed production is projected at a record 288.1 million metric tons, up slightly from last year. The U.S. soybean crop was rated 67% good to excellent for the week ending August 16th compared with 57% a year ago.

♦**Cotton.** U.S. 1998 all cotton production is forecasted at 14.3 million bales, down 24% from 1997. World production is expected to be 6% below last year. World ending stocks are reduced to 2.6 million bales, about 17% of total use. The U.S. cotton crop as of August 16th was rated 34% good to excellent compared with 62% last year.

♦**Rice.** U.S. rice production is forecasted at 178 million cwt, slightly below 1997. Texas and Louisiana harvest is underway. The market year average price is expected to average between \$9.25 and \$10.25 per cwt compared to \$9.65 per cwt for the 1997/98 crop.

♦**Other Crops.** The August **Durum Wheat** forecast, at 126 million bushels, is up less than 1% from last month and 46% more than 1997. The August **Other Spring Wheat** forecast, at 508 million bushels, was up 2% from a month ago but down 9% from last year. **Grain Sorghum** was forecast at 529 million bushels, was down 19% from 1997. **Barley** production is forecast at 374 million bushels, down fractionally from both July and 1997 final production. The **peanut crop** is expected to be down 2% from last year, **dry edible bean** production up 3%, **tobacco** down 12%, **alfalfa hay** up 1%, and **other hay** down 7%.

♦**Cattle.** August 1 **cattle on feed** in U.S. feedlots with capacity of 1,000 or more head totaled 8.99 million head, up 2% from a year earlier. July placements were 3% below a year earlier but 10% above 1996. Marketings during July were 3% below 1997 but 4% above 1996. Extremely dry conditions in the Southern Plains and Southeast have caused heavier placements in feedlots during the summer than earlier expected. At mid-August, **prices for choice steers** (Nebraska direct, choice) averaged \$59-\$60 per cwt, down slightly from mid July. Choice steer prices are expected to average \$64-\$68 per cwt during fourth quarter 1998 and then climb to the low \$70's for first quarter 1999 as current heavy supplies work through the market. Farm **calf prices** averaged near \$78 per cwt in July, down about \$7.00 from a year earlier. Prospects are for higher calf prices in the coming months.

♦**Hogs.** Weekly hog slaughter has been running 10-12% above a year ago in recent weeks, slightly higher than expected. Hog **prices** at mid-August (Iowa-Southern Minnesota direct, 230-250 pounds) have averaged \$35-\$36 per cwt, just slightly above mid-July. Hog slaughter is expected to continue to be heavy in the fall as the larger March-May pig crop goes to market. It is expected that prices for fourth quarter 1998 will decline to \$30-\$32 as market supplies increase further.

♦**Other Livestock.** **July milk production** was down 0.8% from a year earlier in the 20 major-producing States. Production per cow was down 0.6% and number of cows was down slightly from July 1997. The **July Basic Formula Price (BFP)** was \$14.77 per cwt, up \$1.67 from June. **Cheddar cheese prices** (U.S. 40-pound blocks, wholesale) increased 0.4 and 1.7 cents for the first and second weeks of August, respectively. These price increases suggest that the August BFP will likely increase again. During June, total **cheese** production was 2.7% above a year earlier; **butter** production was down 10.5%; and **nonfat**

dry milk production was down 12.7%. **Sheep and lamb** slaughter was down 8% in July from a year earlier, which is consistent with the 7% decline shown for the July 1 market inventory. U.S. **egg production** for the fourth quarter of 1998 is expected to be up 1% from a year ago. Wholesale market **egg prices** (Grade A, large, NY) for the fourth quarter of 1998 are expected to average 78-82 cents per dozen, compared with 88.2 cents a year ago. First quarter of 1999 market egg prices are expected to average 72-78 cents per dozen, compared with 79.0 cents a year earlier. For the week ending August 15, cumulative **broiler placements** for 1998 in the 15 selected states were 4.48 billion, up slightly from the same period a year earlier. The wholesale 12-city average price for whole broilers for the third quarter is expected to be 68-70 cents, compared to 62 cents for the third quarter of last year. Cumulative **turkey poult placements** for the 1998 marketing year are 6% less than the same period a year ago. Placements in July were 13% less than last July. Prices (8-16 lb hens, Eastern Region) for the fourth quarter of 1998 are expected to be in the 63-67 cent range compared with 66.5 cents for the fourth quarter last year. **Supplies in refrigerated warehouses** the end of July compared with a year earlier were: chicken down 15%, turkeys down 3%, pork up 7%, beef and cheese both down slightly, and frozen orange juice up 27%.

◆**Trade.** August U.S. **trade projections** for wheat, pork, and broilers improved while 1998/99 export prospects for rice, cotton, soybeans, and turkeys declined, compared with last month. August projections for the volume of **exports** for the 1998/99 marketing year compared to 1997/98 are: **wheat** up 8%; **corn** up 8%; **rice** down 5%; **cotton** down 35%; **soybeans** down 2%; **soybean oil** down 5%; and **soybean meal** down 3%. August projections for the volume of meat exports in calendar 1999 compared to 1998 are: **beef** up 3%; **pork** up 3%; **broilers** up 1%; and **turkeys** up 14%. The U.S. **trade deficit** for goods and services decreased to \$14.2 billion in June from the record \$15.5 billion in May. The U.S. **agricultural trade** surplus was \$816 million in June, compared with \$910 million in May.

◆**Prices.** The rate of **inflation**, as monitored by the CPI for all urban consumers, rose a seasonally adjusted 0.2% in July and rose 1.7% over the last 12 months. The **PPI** increased 0.2% in July; this followed a decrease of 0.1% in June. For the 12-month period ending in July, the PPI decreased 0.3%. The July **prime rate**, at 8.5%, has been unchanged since April 1997. Compared to a year earlier, **feed** prices in July were down 14%; **feeder livestock and poultry** prices down 17%; **fertilizer** down 4%; **ag chemicals** up 1%; **farm machinery** up 2%; **seeds** up 3%; and **fuels** down 17%.

◆**World Weather and Crop Developments** (July 12-18). In the **former Soviet Union** much cooler weather alleviated heat stress on summer crops in eastern Ukraine and southern Russia, but soils remained unfavorably dry. Continued hot, dry weather in Kazakhstan and Western Siberia hastened spring grain development. In **Europe** periodic heat and dryness in England, France, and Germany favored rapid winter and spring grain harvesting but limited moisture for summer crop development. A break in the recent rainy pattern brought some relief to winter grains in eastern **Australia**. Unseasonable warm and dry conditions continued across the **Canadian** Prairies, aiding early harvests but stressing immature spring crops. Widespread, locally heavy rain caused additional flooding in northern and eastern rice areas in **Asia**. Drier weather eased flooding across the eastern Yangtze Valley in **China** while showers exacerbated flooding in the west. Excessive showers brought extensive flooding and possible rice damage to northern South Korea. Unseasonably heavy rain again delayed coffee and citrus harvesting in south-central **Brazil**. In the U.S., rain replenished dry soils and rejuvenated crops along a wide band that stretched eastward from the Southern Plains through the Mississippi Delta and Southeastern States and northward through the Appalachian Mountains and Atlantic Coast States. Mild temperatures and sunshine aided crop development and boosted crop conditions across most of the Corn Belt and central and northern Great Plains. Dry weather from the Great Lakes to the Pacific Northwest aided row-crop development and accelerated small grain harvest progress. Above-normal temperatures in California promoted crop development and improved crop conditions, but cotton and rice development continued to lag well behind normal.

◆**Other News. U.S. Agricultural Outlook.** The U.S. agricultural machine is producing a large volume of output in 1998, despite severe drought in portions of the Plains and the South. These expanding field crop and meat supplies coincide with export demand that is lackluster compared with recent years. As a result, U.S. **farm prices and income** will drop sharply following generally strong farm financial performance in 1996 and 1997. Many farmers are financially stressed, particularly those in the Plains and the South and those with little off-farm income. With U.S. **cotton** stocks shrinking and with foreign stocks outside China expected to grow, U.S. prices have increased relative to foreign prices, reducing export prospects for U.S. cotton. Greater world supplies of **soybeans** and weaker demand have combined to produce a dramatic market turnabout this year. Global soybean ending stocks are projected to be almost twice as high in 1998/99 as their diminished level 2 years ago. Soybean prices at the farm level are forecast to slide well below the 1997/98 average of \$6.45 per bushel. Strong economic growth continues to bolster demand for **dairy products**, although the effects have been uneven. Butter and cheese prices moved sharply higher over the summer, while nonfat dry milk remained close to the Federal support price. Regional **trade agreements** (RTA's) have become a fixture in the global trade arena. In the Western Hemisphere, about 40 regional trade pacts are currently in force, with at least a dozen others under negotiation. USDA's analysis of the longrun impacts of four major RTA's (the North American Free Trade Agreement, an expanded European Union, the Asia Pacific Economic Cooperation forum, and the potential Free Trade Area of the Americas) indicate that, on balance, they will generate more trade than they divert, to the benefit of the U.S. agricultural economy.

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